

	<p>increase in such rate (such charge, stream, or increase, the “Funding Charge”); the imposition of the Funding Charge has received all necessary approvals (including, to the extent required by applicable law, by PREB and FOMB); and the Funding Charge is projected to fully cover all costs associated with the additional Indebtedness, including debt service, and, with respect to any additional Indebtedness incurred for any of the purposes set forth in A.3. above, be projected as of the date of issuance not to decrease the projected collections on the Transition Charge;</p> <p>4. Any Funding Charge must be reflected in customer bills, and any allocation of partial payments in customer bills between the Funding Charge and the Transition Charge must be pro rata between the Transition Charge and the Funding Charge (each as then in effect) or require payment in full of the Transition Charge before the Funding Charge is paid;</p> <p>5. The Transition Charge and the Funding Charge shall be kept separate; provided, that any commingling of the Transition Charge with the Funding Charge shall not limit, defeat, impair or interfere with the Securitization Bonds’ lien on the Transition Charge; provided further, that all revenues from the Transition Charge and each Funding Charge that is property of the Issuer (the “Issuer Funding Charge”) will be commingled when received by the Issuer, and will be allocated by the Issuer among the Securitization Bonds and the additional Indebtedness supported by each Issuer Funding Charge pro-rata based on (x) the Transition Charge then in effect and (y) each respective Issuer Funding Charge then in effect (without giving effect to any adjustments to such Issuer Funding Charge that would cause it to exceed the charge that was originally scheduled to be then in effect to the extent such adjustments are the result of collections of the Issuer Funding Charge being less than amounts billed);</p> <p>6. The issuance of additional Indebtedness shall not adversely affect the tax treatment of the Securitization Bonds; and</p> <p>7. Any lien granted in support of the additional Indebtedness shall be limited to the Funding Charge and other assets directly related thereto or to assets of PREPA that are not Restructuring Property.</p> <p>Provided, for the avoidance of doubt, the financing of the amortization of the PREPA pension plan’s Unfunded Accrued Actuarial Liability and the establishment of a charge or other source of repayment therefore shall not</p>
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	<p>constitute Indebtedness but shall be subject to the requirements set forth in the clauses B.2 (except in the case of approvals required by clause B.2 or B.3 to the extent any approval is not required under the terms of the plan of adjustment) through B.7 above.</p> <p>Provided, further, that if there is no Concessionaire, then the restrictions on additional Indebtedness shall be as agreed upon by the Required Parties in the Securitization Trust Agreement and shall include at a minimum Indebtedness (a) incurred to fund a cash operating reserve on or after exit from Title III in an amount not to exceed the \$550 million and (b) that would be permitted under clauses A.1, A. 2, and A.5, but, in the case of clauses (a) and (b), subject to the requirements set forth in the clauses B.2 (except in the case of approvals required under clause B.2 or B.3 to the extent any approval is not required under the terms of the plan of adjustment) through B.7 above.</p> <p>Notwithstanding the foregoing, to the extent that the Securitization Bonds are rated investment grade (without regard to any insurance or other third-party credit enhancement) by any nationally recognized rating agency (such bonds, the “Rated Bonds”), then the foregoing restrictions on additional Indebtedness shall not apply to any issuance of Indebtedness so long as each rating agency rating the Rated Bonds confirms that the issuance of such additional Indebtedness will not adversely affect the rating of such Rated Bonds (without regard to any insurance or other third-party credit enhancement).</p>
Governing Law; Venue	<p>Except as described in the last sentence of this paragraph, all documents relating to the Securitization Bonds or the issuance of the Securitization Bonds, and all of the Issuer’s agreements, shall be governed by the law of the State of New York, applied as if all such documents and agreements were executed in New York and were performed entirely within New York. Except as described in the last sentence of this paragraph, all rights of the Secured Parties shall be governed by the law of New York. Authorization and powers of PREPA and the Issuer are to be governed by Puerto Rico law.</p> <p>Each Party hereto, the parties to any of the Definitive Documents, and the Government (the “Agreement Parties”) shall submit to the continuing jurisdiction of the Title III Court and waive any objection to venue. In the event such court does not have or accept jurisdiction, the Agreement Parties shall agree to bring any disputes arising out of any aspect of the Plan, the Confirmation Order, the Transition Charge, the Securitization Bonds, or the Securitization Documents in any federal district court sitting in Puerto Rico and any appellate court therefrom, or in the event such federal district court does not have or accept jurisdiction, a {Commonwealth} court and any appellate court therefrom, and each Agreement Party shall be deemed to consent to the jurisdiction thereof.</p>
Confirmation Order	<p>The Confirmation Order shall include, among other things, the following:</p> <ul style="list-style-type: none"> • The Issuer shall be bankruptcy remote/ineligible, as set forth in the Securitization Protections Term Sheet; • The Secured Obligations are legal, valid, binding, and enforceable obligations of the Issuer under Puerto Rico and federal law, and that the

	<p>Transition Charge is property of the Issuer, free and clear of all liens, claims, encumbrances, and other interests of creditors of the Issuer, PREPA, the Government, or any Government Entity;</p> <ul style="list-style-type: none"> • The Secured Obligations are validly secured by a statutory lien and a consensual lien, and the Securitization Documents and other Definitive Documents are legal, valid, binding, and specifically enforceable obligations of the Issuer, which validation will be set forth in the Plan and the Confirmation Order, including, without limitation, covenants not to impair such property conferred under the Plan and the Confirmation Order; • The Transition Charge is a valid provision made to pay or secure payment of the Secured Obligations, is not a tax under Puerto Rico law, is appropriate, reasonable, non-discriminatory, and legally binding on and specifically enforceable (including by the Servicing Monitor) against any Person in accordance with the Plan; • Any current or future owner of Restructuring Property, the Securitization Trustee, and the other Secured Parties shall be entitled to the property rights conferred under the Amended Act, the Plan, and the Confirmation Order, including the right to enforce such rights subject to the Securitization Documents; • Pursuant to Bankruptcy Code § 945(a), the Title III Court shall retain exclusive jurisdiction for at least the life of the Secured Obligations over all disputes arising out of any aspect of the Plan, the Confirmation Order, the Transition Charge, the Secured Obligations, or the Securitization Documents, including claims for specific performance, and each of the Government, the Government Entities, the Government Parties, and the Issuer shall consent, to the extent necessary, to exercise of jurisdiction over property and revenues of PREPA and the Issuer, notwithstanding section 305 of PROMESA; • The Confirmation Order shall provide that (i) subject to the passage of legislation authorizing the transaction, issuance of Securitization Bonds, the incurrence of the other Secured Obligations, the commencement of the Transition Charge, and any other aspect of the Agreement, including this Term Sheet, shall not be subject to review or approval by any party, including PREPA's regulator, and (ii) that the demand protections the ("Demand Protections") set forth on Scheduled I-A (the "Demand Protections Term Sheet") shall be binding on the Agreement Parties, the Government, and each Government Entity. • Other provisions, including market or customary terms, as agreed to by the Required Parties. <p>The decretal paragraphs of the Confirmation Order shall include the material terms, conditions, and covenants of the Government, PREPA, and the Issuer, as well as the other material terms and conditions of the Definitive Documents and Amended Act.</p>
Conditions Precedent to Securitization	<p>Customary conditions precedent to be agreed upon by the Required Parties and shall include, among other things:</p>

	<ul style="list-style-type: none"> • Enactment into law of the Amended Act in a manner that meets the requirements of the RSA; • Certification by FOMB of a PREPA fiscal plan and an Issuer fiscal plan pursuant to Section 201(a) of PROMESA consistent with the transactions contemplated in the Plan. • An order of the Title III Court approving the form of the Restructuring Resolution, making the determinations set forth in “Confirmation Order” above, and including such other terms agreed upon by the Required Parties. • Receipt by the Securitization Trustee, for the benefit of the Secured Parties, of resolutions as agreed upon by the Required Parties and legal opinions that meet the requirements of the RSA from nationally recognized counsel, bond counsel, and special tax counsel (if different) to the Issuer and PREPA, and the Secretary of Justice of Puerto Rico, as applicable, that (among other things) interest payments made on the Tranche A Bonds (and, to the extent applicable, the Tranche B Bonds) will be excluded from gross income for federal income tax purposes and exempt from all state, territorial and Puerto Rico and other territorial income taxes, and the Securitization Bonds and other Secured Obligations are validly secured by a statutory lien on the Restructuring Property as set forth in the Amended Act; and • All Securitization Documents, Definitive Documents, and Additional Definitive Documents shall have been entered into, issued, or adopted in a manner that meets the requirements of the RSA; and • All necessary consents and approvals.
No Recourse	The Secured Obligations will have recourse solely to the Restructuring Property and not to any other assets, property, or rights of the Issuer, PREPA, the Government, or any other Governmental Entity; <u>provided</u> , that nothing shall limit the ability of Secured Parties (subject to the Securitization Trust Agreement, the Securitization Trustee, and the other agents appointed under the Securitization Documents from seeking specific enforcement of the Agreement Parties’ obligations or injunctive relief against any Agreement Party, and nothing shall impair or waive the constitutional rights of the Secured Parties or the Securitization Trustee.
Other Charges	Subject to any restrictions in the Securitization Trust Agreement, the Government Parties may establish other transition charges, statutory charge, or other tax or revenue stream, to provide for the payment of legacy obligations.
Servicer or Concessionaire Issues with Definitive Documents	Once the Servicer and/or Concessionaire is identified, to the extent that such Servicer or Concessionaire has concerns over provisions in this Securitization Term Sheet or any of the draft Definitive Documents, the Parties shall work in good faith to try to resolve such concerns in the final form of the such Documents.

Schedule I-A

Demand Protection Term Sheet

Each capitalized term not defined herein has the meaning given in the Restructuring Support Agreement and the exhibits, schedules and annexes thereto to which this Term Sheet is attached (collectively, the “RSA”). The omission of a term or condition contained elsewhere in this Term Sheet, including in the Restructuring Term Sheet, shall not affect the applicability of such term or condition.

This Term Sheet does not constitute (nor shall it be construed as) an offer with respect to any securities. This Term Sheet does not address all material terms that would be required in definitive documents and in order to consummate the transactions set forth in this Term Sheet and is subject to definitive documentation in form and substance mutually agreed upon by the Required Parties as well as to enactment of any legislation and issuance of any regulatory approvals contemplated by the RSA and this Term Sheet.

Overall Objectives of the Parties	The Government Parties, the Ad Hoc Group and Assured have entered into the RSA with the understanding that the Transition Charge is intended to be implemented so as to promote efficient investment in, and efficient use of, Puerto Rico’s electric infrastructure while providing for the recovery of legacy costs associated with the financing of the development of that infrastructure. The Transition Charge will be collected from all current and future Customers which have benefitted, are benefitting, or will benefit from the use of the System and which have benefitted from PREPA’s generation assets, as set forth in this Term Sheet. ¹⁷
Key Definitions	<p>“System” means the T&D assets in PREPA’s possession on July 23, 2018, as well as any replacements, extensions, or improvements of such assets made since that date and any T&D assets acquired or constructed by PREPA and connected to the System after July 23, 2018.</p> <p>“Customer” means a service location or premise that (a) is connected to the System, (b) uses or leases any part of the System, (c) is connected to a microgrid, municipal utility or electric cooperative that is connected to or uses the System, or (d) benefits from any agreement that requires the System to provide the Customer electricity under any condition, including without limitation, an obligation to provide power on a standby, maintenance, emergency, or similar basis.¹⁸</p>

¹⁷ Any reference herein to “**PREPA**” refers to PREPA and any successors to PREPA (in full or in part) in its historic role as provider of transmission and distribution (“**T&D**”) services, including any entity succeeding to PREPA’s T&D assets or functions as T&D service provider through lease, sale, concession agreement, management agreement or other form of privatization, but for the avoidance of doubt shall not include entities that succeed solely to PREPA’s generation assets or functions.

¹⁸ For the avoidance of doubt, consistent with utility industry standards, the term “**Customer**” refers to a service location or premises, and not to an actual person. Furthermore, a Customer shall not include any permanently disconnected service location or premise that does not benefit from any agreement that requires the System to provide the Customer with electricity under any condition, including without limitation, an obligation to provide power on a standby, maintenance, emergency, or similar basis. For the purposes of this definition, “permanently disconnected”

	<p>“Consumption” means, for any given time period, the amount of electricity consumed by a Customer, regardless of the source of such electricity, including thermal, solar, wind, geothermal or other renewable or recyclable sources, whether owned by PREPA or any successor, lessor or concessionaire, an independent power producer, municipality, cooperative or a Customer.</p> <p>“Gross Consumption” means, for any given time period, the amount of electricity consumed by a Customer, regardless of the source of such electricity, including thermal, solar, wind, geothermal or other renewable or recyclable sources, whether owned by PREPA or any successor, lessor or concessionaire, an independent power producer, municipality, cooperative or a Customer. The Gross Consumption of a new Customer (<i>i.e.</i>, a Customer that has not established a history of electricity consumption over a period of at least twenty-four (24) months) prior to the date it connects to the System) shall be deemed for the period before such new Customer has established twenty-four (24) months of electricity consumption history to be the average kWh consumed over a period of twenty-four (twenty-four) months by an electricity consumer in Puerto Rico having a connected electric load comparable to the electric load which such new Customer shall have reported to PREPA, the Servicer or subservicer, as the case may be, at the time it applies for connection to the System, as such average may be adjusted to take into account the size of the new Customer premises, the nature of the loads to be connected, the location of the new Customer’s premises relative to the System and other factors bearing on electricity consumption, including size and specifications of the behind the meter system.</p> <p>“Net Consumption” means, for any given time period, a Customer’s Gross Consumption less amounts of electricity which such Customer produces through properly permitted behind the meter generating facilities.</p> <p>“Transition Charge” has the meaning given to it in the Recovery Plan Term Sheet.</p> <p>“Transition Charge Rate” means the per-kilowatt hour rate of the Transition Charge from years 1 through 24 and thereafter, as set forth on the Recovery Plan Term Sheet, as modified to take into account the Excepted Customer Classes and Subsidy Charge.</p>
Non-Bypassability	Transition Charges are non-bypassable charges, the payment of which shall be obligatory. Transition Charges shall be assessed on all Customers, regardless of

means any service location or premises, including one connected to a microgrid, municipal utility or electric cooperative, not capable of receiving any electricity from, delivering electricity to, or being synchronized with, the System, including, but not limited to, for standby, maintenance, emergency, or similar purposes, or providing electricity to the System. With respect to a microgrid, “permanently disconnected” means a microgrid, municipal utility or electric cooperative permanently operating solely in island-mode and without any agreement that requires the System to provide the microgrid, municipal utility or electric cooperative electricity under any condition, including without limitation, an obligation to provide power on a standby, maintenance, emergency, or similar basis. Notwithstanding the foregoing, a microgrid, municipal utility or electric cooperative permanently operating solely in island-mode shall not be considered “permanently disconnected” if it uses or leases any part of the System.

	the date as of which they become Customers, through a fixed charge or volumetric charge, as applicable, unless, subject to the conditions set forth herein, including the assessment of the Subsidy Charge, a Customer in an Excepted Customer Class is excepted from paying all or a part of the Transition Charges. Customers shall not be permitted to evade the imposition of Transition Charges or reduce their responsibility for Transition Charges by disconnecting and subsequently reconnecting to the System or by withholding from the Servicer any information required in order to assess Transition Charges or determine the Customer's status as a BTMG Customer or Grandfathered BTMG Customer.
Implementation Date	The cutoff date for eligibility for treatment as a Grandfathered BTMG Customer (see below) shall be September 30, 2020 (the " Implementation Date ").
Grandfathered BTMG Customers	<p>Customers with behind the meter generation ("BTMG Customers") that was approved, in place, and operational prior to the Implementation Date (each, a "Grandfathered BTMG Customer") will be subject to a monthly Transition Charge in the form of a fixed charge calculated for each month by multiplying the Transition Charge Rate applicable to such month by a monthly average of the Grandfathered BTMG Customer's Net Consumption over the prior twenty-four (24) month period, after taking into account a three (3) month lag time (such period, the "Twenty-Four Month Period").¹⁹ The fixed charge shall be revised as set forth in (1) and (3) of "Fixed Charge Updates."</p> <p>Any Grandfathered BTMG Customer whose behind the meter generation capacity increases by more than 20% above the capacity in place on the Implementation Date shall cease in the next billing period and in all subsequent billing periods to be considered a Grandfathered BTMG Customer to the extent of the behind the meter generation capacity increase.</p> <p>Notwithstanding anything to the contrary provided in this Term Sheet, all Grandfathered BTMG Customers shall cease to be Grandfathered BTMG Customers on the twentieth (20th) anniversary of the Effective Date and each such Customer shall thereafter be a Non-Grandfathered BTMG Customer.</p>
Non-Grandfathered BTMG Customers	All BTMG Customers other than Grandfathered BTMG Customers, including former BTMG Customers that cease to be Grandfathered BTMG Customers (each, a " Non-Grandfathered BTMG Customer "), shall be obligated to pay the Servicer for the cost of installing at, a minimum, a revenue grade meter to measure the amount of electricity that is generated behind the meter (each such meter, a " BTMG Meter "). The BTMG Meter shall be in place and functioning by the time the Customer's behind the meter generation system first comes online. The BTMG Meter shall be installed immediately after the behind the meter generation

¹⁹ "Approved behind the meter generation" refers to generation installations that are installed consistent with PREB-approved rules (if applicable), are properly licensed by the Commonwealth, and have been fully inspected and determined to be compliant by a licensed electrical inspector. Approved behind the meter generation does not include a generator whose sole function is to provide back-up power when power from the System (including power supplied via any microgrid, municipal utility or electric cooperative) is interrupted.

	<p>system and before such generated electricity reaches any load. The Servicer shall, from time to time, inspect and test a sampling of BTMG Meters consistent with industry practice.</p> <p>Each Non-Grandfathered BTMG Customer with a BTMG Meter shall be subject to a monthly Transition Charge in the form of a charge that shall be the <i>greater of</i> (x) a fixed charge calculated for each month by multiplying (i) the Transition Charge Rate applicable to such month by (ii) the monthly average of that Non-Grandfathered BTMG Customer's Gross Consumption during the then-applicable Twenty-Four Month Period, <i>and</i> (y) the product of the Transition Charge Rate applicable to such month and the Non-Grandfathered BTMG Customer's Net Consumption for such month. The fixed charge set forth in (x) shall be revised as set forth in (2) and (3) of "Fixed Charge Updates." The initial Twenty-Four Month Period for a Non-Grandfathered BTMG Customer shall be the Twenty-Four Month Period concluding on the date on which that Customer became a Non-Grandfathered BTMG Customer.</p> <p>Until such time as a Non-Grandfathered BTMG Customer has an operating BTMG Meter, then, for purposes of clause (x)(ii) of the immediately preceding paragraph, the monthly average of that Non-Grandfathered BTMG Customer's Gross Consumption during the then-applicable Twenty-Four Month Period shall be deemed to be the gross electricity inflows received from the System in the month for which the fixed charge is being calculated.</p>
Customers without BTMG Generation	All Customers other than BTMG Customers (including, for the avoidance of doubt, any Customers that become Customers on or after the Implementation Date) will be subject to a monthly Transition Charge calculated by multiplying each Customer's Consumption by the then-applicable per kilowatt hour Transition Charge Rate.
Adjustment of Consumption Calculations	Calculations of Gross Consumption or other calculations of historical consumption over a specified period required by this Term Sheet shall be adjusted to take into account the number of months required by this Term Sheet while eliminating from such calculation any period (as well as any quantity of electricity delivered from the System in such period) during which a Customer's consumption of electric energy delivered from the System shall have been reduced or eliminated by reason of an event of force majeure affecting the System or a malfunctioning meter.
Allocation of Transition Charges Among Customer Classes	Exemptions, subsidies and credits may be offered to certain classes of Customers, and exemptions, subsidies and credits may be created for the benefit of low- and middle-income residential Customers. The value of any such exemptions, subsidies and credits and of the Additional Subsidies described below shall be spread among other Customers on the terms set forth below (the Customers to whom such exemptions, subsidies, charges and credits apply, the " Excepted Customer Classes "); <i>provided</i> that (i) the aggregate value of all such exemptions, subsidies or credits (collectively, the " Subsidy Value ") shall be calculated and charged to all other Customers, through a fixed or volumetric charge, as

	<p>applicable, by the Servicer through a transition charge subsidy line item on Customer invoices (such line item, the “Subsidy Charge”), and then remitted to the Trustee for the Securitization Bonds in the same manner as all other Transition Charges and such subsidy payments, and the Amended Act shall provide that such Subsidy Charge and all rights thereto shall form a portion of the Restructuring Property to the same extent as all other Transition Charge revenue and rights thereto; (ii) any such exemption, subsidy or credit shall not impair the Servicer’s ability to collect the aggregate amount of revenue to be generated in any period through imposition of the Transition Charge; and (iii) such exemptions, subsidies or credits shall only be permitted to the extent the recovery of the Subsidy Value (including the Uncollected Amounts Charge) from Customers other than Customers in the Excepted Customer Classes never increases the responsibility of any Customer class for Transition Charges by more than 25%.</p> <p>The Servicer shall verify and audit the Transition Charge Revenue to confirm that any Subsidy Charges or credits are net revenue neutral, and the Subsidy Value and Subsidy Charge shall be recalculated annually.</p>
Additional Subsidies	<p>The Subsidy Charge for any month shall include the monthly average of the sum of:</p> <p>(1) an amount to cover Subsidized Entities’ Non-Collections and an amount to cover General Public Non-Collections (together, the “Uncollected Amounts Charge”); and</p> <p>(2) an amount to cover Government Non-Collections.</p> <p>“Subsidized Entities’ Non-Collections” shall mean, in any given year, the amount of Billed (as defined in the Definitive Documentation) but unpaid kilowatt hours for the preceding year attributable to deliveries under CILT arrangements, for public lighting, for low-income (public) housing, or for other subsidies, exemptions or credits then in effect; provided, that in the first year starting on the Effective Date, the Subsidized Entities’ Non-Collections shall be a projection of the amount of expected unpaid kilowatt hours delivered to such entities. The amount to cover Subsidized Entities’ Non-Collections shall mean the Subsidized Entities’ Non-Collections multiplied by the then-applicable Transition Charge Rate.</p> <p>“General Public Non-Collections” shall mean, in any given year, the amount of Billed but unpaid kilowatt hours delivered to Customers that are not included in the Subsidized Entities’ Non-Collection and that are not the Government or a Government Entity (such Customers, “General Public Customers”); provided, that in the first year starting on the Effective Date, the General Public Non-Collections shall be a projection of the amount of expected unpaid kilowatt hours delivered to General Public Customers. The amount to cover General Public Non-Collections shall mean the then-applicable Transition Charge Rate multiplied by:</p> <p>(i) in the event that (x) there is a private third-party acting as the System operator or (y) PREPA or any Government Entity is operating or</p>

	<p>managing the System and is following the Collection Regulations, any amounts over 1.5% of the total kilowatt hours consumed by General Public Customers that were Billed but not collected during the previous year; or</p> <p>(ii) in the event that PREPA or any Government Entity is operating or managing the System and is not following the Collection Regulations, all total kilowatt hours consumed by General Public Customers that were Billed but not collected during the previous year.</p> <p>The Uncollected Amounts Charge shall be recalculated each year and shall be updated on each Update Date to give effect to the then applicable Transition Charge Rate as follows:</p> <p>If the actual uncollected amounts (or, if applicable, in the case of General Public Non-Collections, actual uncollected amounts above the 1.5% threshold) (such amounts, the “Actual Uncollected Amounts”) for any given year (after giving effect to any adjustments from previous years) are less than the amount that was charged to Customers through the Uncollected Amounts Charge, the Uncollected Amounts Charge shall be reduced in the next year to rebate such excess to Customers in the form of a lower Uncollected Amounts Charge. If the Actual Uncollected Amounts for any given year (after giving effect to any adjustments from previous years) are greater than the amount that was charged to Customers through the Uncollected Amounts Charge, the Uncollected Amounts Charge for the next year shall be increased to make up for such shortfall.</p> <p>“Government Non-Collections” shall mean, in any given year, the total amount of payables owed with respect to kilowatt hours consumed by the Government and all Government Entities that were more than sixty (60) days past-due as of the end of the previous year. The amount to cover Government Non-Collections shall mean the Government Non-Collections multiplied by the Transition Charge Rate applicable for such year. The Government Non-Collections shall be recalculated each year and shall be updated on each Update Date.</p> <p>PREB shall, to the extent necessary, adopt and/or modify regulations acceptable to the Parties that shall require PREPA or any concessionaire or other manager or operator of the System, or electric service provider to exercise collection remedies for non-payment (including for disconnection after 60 days of non-payment) by General Public Customers (as defined below) and the Government and Government Entities that are in accordance with national standards (the “Collection Regulations”). The Amended Act shall, to the extent necessary, authorize the adoption of the Collection Regulations.</p>
Fixed Charge Updates	<p>The fixed charge applicable to Grandfathered BTMG Customers and Non-Grandfathered BTMG Customers shall be recalculated by the Servicer on the</p>

	<p>Effective Date and every anniversary thereof (any such date, the “Update Date”) as follows:</p> <ol style="list-style-type: none"> (1) For Grandfathered BTMG Customers, at the conclusion of each Twenty-Four Month Period measured from the Effective Date, by calculating that Grandfathered BTMG Customer’s average monthly Net Consumption for the most recent Twenty-Four Month Period preceding such Update Date; (2) For Non-Grandfathered BTMG Customers, at the conclusion of each Twenty-Four Month Period measured from the Effective Date, by calculating that Non-Grandfathered BTMG Customer’s average monthly Gross Consumption for the most recent Twenty-Four Month Period preceding such Update Date; and (3) For all BTMG Customers, every year on the Update Date, to reflect changes in the applicable Transition Charge Rate to ensure that the fixed charge is consistent with the Transition Charge Rate for such month.
Notification & Metering Requirements	<p>The provisions of this Term Sheet regarding BTMG Customers shall apply to any existing or new Customer which installs behind the meter generation, whether or not such Customer seeks and/or receives approval to become a net metering Customer.</p> <p>All BTMG Customers shall be required to install or pay the Servicer for installing the necessary BTMG Meter to allow the Servicer to measure and record quantities of electricity produced from such BTMG Customer’s behind the meter generating facilities, or electricity usage within any microgrid, municipal utility or electric cooperative (or similar system or entity) connected to the System or with an agreement permitting it to obtain standby capacity or emergency energy from the System, and the Servicer shall routinely read these meters for Transition Charge billing purposes.</p> <p>In addition to any required regulatory notice, a Customer shall be required to send a notice to the Servicer (whether PREPA or any replacement Servicer or sub-servicer) (the “BTMG Notice”) in the event that it installs behind the meter generation or ceases to be a Grandfathered BTMG Customer for any of the reasons set forth in this Term Sheet. The Servicer shall be required to promptly provide copies of all BTMG Notices to the Issuer, the Servicing Monitor, and the Trustee for the Securitization Bonds.</p> <p>A Customer which fails to file a BTMG Notice shall pay a “Registration Charge” equal to \$250 (subject to annual increase at not less than the Consumer Price Index) plus the amount of Transition Charges the Customer would have owed if it had properly notified the Servicer of the installation of its behind the meter generation for the period beginning when it was installed and ending on the date of discovery (such amount, the “Missed Transition Charge Payment”). The Issuer shall receive the Missed Transition Charge Payment, and the remaining portion of the Registration Charge shall be remitted to PREPA. The Amended</p>

	<p>Act shall provide that the Missed Transition Charge Payment is Restructuring Property.</p> <p>Upon identifying a Customer that may have failed to file a BTMG Notice, the Servicer shall determine whether the Customer was required to file a BTMG Notice, calculate the amount of any Registration Charge, and enforce and collect the Registration Charge, each in a manner consistent with the Servicer's investigation and collection of obligations from Customers to the Servicer.</p>
Role of the Servicer	<p>The Servicer's responsibilities shall include (i) calculating the Transition Charge component of the Subsidy Charge; (ii) conducting audits of Transition Charge Revenues to confirm that any Subsidy Charges or credits are net revenue neutral; (iii) reviewing the BTMG Notices; (iv) auditing the BTMG Notices; (v) conducting ongoing diligence to identify Customers that failed to file BTMG Notices as required; (vi) calculating and implementing Fixed Charge Updates; and (vii) implementing any Fixed Charge Amendment approved by the PREB.</p>
Annual Calculation Audit	<p>In the event that a private third party is acting as Servicer, the Issuer's Auditor shall, in addition to the annual audit of the Issuer, conduct an audit, with respect to the Servicer or any subservicer, of (i) the calculations of the Transition Charge component of the Subsidy Charge, (ii) the Transition Charge Revenues to confirm that any Subsidy Charge or credit are net revenue neutral and that total Transition Charges billed are consistent with Consumption, Gross Consumption and Net Consumption, as applicable, and otherwise consistent with the calculations set forth herein, (iii) Customers' eligibility as Grandfathered BTMG Customers, Non-Grandfathered BTMG Customers, and Excepted Customer Classes; (iv) the calculation and implementation of any Fixed Charge Update; and (v) the implementation of any Fixed Charge Amendment. "Issuer's Auditor" means an independent accounting firm of recognized national standing acceptable to the Trustee for the Securitization Bonds.</p> <p>In the event that PREPA or any Government Entity is acting as Servicer, there will be a Servicing Monitor in place to perform the duties set forth above, as well as the duties set forth in the Securitization Term Sheet.</p>
Role of PREB	<p>After the Securitization Bonds are issued, PREB's role with regard to the calculation, modification or imposition of any Transition Charge shall be limited to (i) verification of the mathematical accuracy of the Servicer's calculation of (a) the Transition Charge, (b) Subsidy Value and Subsidy Charges impacting the Transition Charge; (c) Gross Consumption and Transition Charge revenue calculations to confirm that Subsidy Charges do not negatively or beneficially impact Transition Charge revenue, as determined by the Servicer;²⁰ and (ii) amending the fixed charge applicable to BTMG Customers if, in a proceeding of which all Bondholders shall be given notice, it determines that the fixed charge is contributing to and is likely to continue to contribute to BTMG Customer</p>

²⁰ Any correction of such a mathematical error shall be made in the first billing cycle in which such adjustment can be practically implemented. In no event shall PREB's inquiries into any such mathematical error or the correction thereof result in a delay to the calculation, billing, and collection of the Transition Charge or the Subsidy Charge.

	defection from the System that is likely to result in material changes in Transition Charge revenue (any such amendment, the “ Fixed Charge Amendment ”). The Fixed Charge Amendment may be applied to the fixed charge collected from the BTMG Customer classes most likely to defect from the System. Any Fixed Charge Amendment shall be (i) supported by third-party expert studies quantifying the impact of implementing the Fixed Charge Amendment as compared with the status quo; (ii) put into effect only (a) if the Securitization Bonds have an investment grade rating, (b) if every rating agency that has rated the Securitization Bonds has confirmed that the Fixed Charge Amendment shall not result in a downgrade of the rating on the Securitization Bonds or otherwise cause an adverse action by the rating agency, and (c) upon the affirmative vote of the holders of a majority of principal amount of the Securitization Bonds at that time outstanding, excluding any Securitization Bonds held by the Government, any Government Entity, and any Puerto Rico municipality; and (iii) may be implemented no more frequently than once every three (3) years.
Servicing Agreement	Each microgrid, municipal utility, cooperative or any person selling electricity directly or indirectly to a microgrid, municipal utility, cooperative, or Customer that is subject to the provisions of this Term Sheet shall be a “subservicer” and each shall enter into the Servicing Agreement with the Servicer upon such terms and provisions as may be agreed upon by the Required Parties.
Protections	The terms set forth in this Term Sheet shall be included in the Amended Act, and all charges, fees, and payments required hereunder (and the right to such charges, fees, and payments and the revenues therefrom) shall be treated as Transition Charges, Transition Charge Revenues and part of the Restructuring Property.

Schedule I-B
Securitization Protections

The following provisions (in addition to other protections agreed upon by the Required Parties²¹) will be included in the Amended Act, Confirmation Order, Issuer's by-laws, or transaction documents, as applicable, in a manner agreed upon by the Required Parties:

I. Issuer

A. General Issuer Provisions

1. Issuer will be a special purpose public corporation and instrumentality of the Government of Puerto Rico, constituting a corporate and political entity independent and separate from the Government of Puerto Rico, PREPA and any other Government Entity. It shall be operated independently, and its business and affairs shall be governed by or under the direction of its Board of Directors.

2. Issuer will observe normal corporate separateness from PREPA and any other entity (e.g., separate books and records, no transferring of assets, etc.).

B. Issuer Governance

1. Board members selected by the Governor from list of 10 candidates from executive search firm using objective selection criteria. Each member of the Board shall satisfy the independence and qualification standards to be agreed upon in Securitization Trust Agreement.

2. Board members have fiduciary duty to act in best interests of Issuer to such extent and scope as is consistent with Puerto Rico law and the Puerto Rico Constitution.

3. Board members shall receive such compensation as is authorized pursuant to the Securitization Documents.

4. Each Board member shall be appointed for a term of 3 years; provided that the Governor may remove any member who fails to uphold the responsibilities set forth in the Amended Act or for gross negligence, willful misconduct or fraud. Board members shall have staggered terms.

C. Issuer Powers and Duties²²

1. Issuer shall be authorized, without further legislative or regulatory approval to:

²¹ Capitalized terms used herein that are not explicitly defined herein shall have the meanings ascribed to them in the RSA or Securitization Term Sheet, as applicable.

²² Issuer shall only be authorized to take such actions to the extent such actions or any documents required thereby or referred to therein are consistent with the RSA including with regard to any approvals of the form or substance of such documents contained in the RSA, the Definitive Documents or the Additional Definitive Documents.